



MIDWEST AGENTS SELLING TRAVEL  
15 Spinning Wheel Road • Suite 336 • Hinsdale, IL 60521  
630.323.0770 • Fax 630.323.2662



DEPARTMENT OF TRANSPORTATION  
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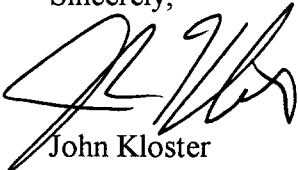
OST-97-2881-15

December 3, 1997

Enclosed are comments regarding "Computer Reservation System (CRS) Regulations (Part 255), Docket No. OST-97-2881; Notice No. 97-9), RIN 2105-AC65, published in Federal Register September 10, 1997.

Please file in Room PL401, Docket 49812, U.S. Department of Transportation.

Sincerely,

  
John Kloster  
Executive Director

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MAST is a non-profit association of over 370 travel agencies in the North Central states. We have placed a strong focus on travel distribution technology. As a result, we appreciate the opportunity to comment on the issues under consideration.

We believe that general conditions in this area have not materially changed over the past five years, despite rapid societal technological change. CRSs continue to be monopolies in most travel agencies. As a result, denied access to any particular CRS continues to place carriers at a competitive disadvantage.

1. We believe the rules should be continued for another five years. It would probably be prudent to conduct another review in three years to determine whether or not conditions have materially changed.
2. The rules have generally been effective. Display bias has been largely eliminated, which has had the unintended consequence of reducing the average number of competing CRSs in each travel agency. The information available to the consumer is not generally biased towards individual airlines. They have not been totally adequate.
3. It is our view that the existing rules should be applied to internet booking services owned by airlines, other than sites offering a single airline. We do not want to impede individual airlines from marketing their services directly to the consumer through the internet. However, the establishment of a bookable site by any carrier that offers multiple carriers' inventory should have to offer consumers the same unbiased display required of the CRSs. This becomes particularly important since most major airlines have engaged in marketing practices, such as lower travel agency commissions for internet bookings, that have slowed the travel agencies' establishment of internet airline booking sites below the level that would exist were agencies not disincentivized to book through the Net.
4. We do not believe shifts in CRS ownership require rules changes. Each CRS continues to be predominantly owned by one or more carriers. While we acknowledge that the business interests of CRSs and their owning airlines will likely diverge increasingly in the future, they haven't yet. Subtle marketing actions, such as American Airlines' introduction of its Preference screen-bias software for SABRE agencies, is but one example. In this particular case, the Department took enforcement action.
5. Travel agencies have not yet typically moved towards third-party hardware and software, but this is generally not the result of a deficiency in the Department's rules. Travel agencies and CRSs have been co-dependent for more than twenty years. CRSs provide hardware, software, data and service support in return for booking activity. The cost is almost entirely borne by suppliers whose product is sold through CRSs, albeit indirectly. CRSs do not, therefore, have an economic incentive to deliver modern hardware to travel agencies, so they don't. Inadequate CRS-provided hardware is a major impediment to the use of third-party software, but probably outside the scope of the rules. There is the further problem that CRS non-hardware contracts typically contain nearly identical financial terms as CRS-provided hardware contracts do, therefore biasing acceptance of the latter.

6. The mandatory participation rule clearly strengthens competition in the airline business by ensuring there are multiple CRSs from which non-owning airlines may choose in which to distribute their product. These have ensured viability because they are guaranteed to list all major carriers. They further strengthen competition in the CRS business for travel agency business, but diminish it for airline business. The rule must include carriers' marketing a system, as well as owning one, as the same competitive factors, such as "tying" come into play. Likewise, access to corporate discount fares, etc. go to the issue of equal functionality and must be covered by the rules.

7. Delta's suggestion seems impractical, particularly if any CRS moves from dedicated data lines to the internet as its communication platform. Were this to happen, and Delta's suggestion accepted, all the rules contained in this rulemaking would become instantly obsolete. We made suggestions for alternatives under Point 3.

8. No comment.

9. The marketing data provided by CRSs to airlines benefits airline competition and harms travel agencies since travel agencies are independent businesses that have not consented to having their sales data disclosed. CRSs also sell sales data on bookings by travel agencies of car rentals and hotels, again without consent.

10. No comment.

11. Clearly airlines have been unable to negotiate booking fees with CRSs, by their own admission. The fee they pay is more than they likely would pay were CRSs not monopolies in most travel agencies. On the other hand, this must be more desirable than answering a phone call, or non-owning airlines would not participate at all. A strong indication of concern about high booking fees is that airlines have begun to charge travel agencies when they engage in certain practices that cause fees, although CRSs have not given agencies alternatives. We have no recommended financial model to put forward.

12. While airlines are charged booking fees for transactions other than those that result in a ticket, travel agencies do not have alternatives in some cases because those alternative functions don't exist in most CRSs. In addition, there are some unnecessary transactions being created by travel agencies merely to meet productivity-based contracts, which is not ethically right. Finally, airlines are charging agencies for these transactions. One wonders why the CRSs don't charge airlines for only those transactions that result in the production of a passenger. This would seem to be more a direct solution than to have airlines stop travel agencies from making administrative bookings.

13. There is no evidence that competition for subscribers adversely impacts airlines, nor is there evidence that a lack of competition for subscribers would drive booking fees down.

14. Major airlines with CRS ownership interests do coerce agencies into using their systems by tying this use to access to negotiated fares, messaging for waivers and favors and the offer of override programs. The existing rules would benefit by a more aggressive enforcement mechanism.

15. We fully support strengthening any U.S. CRSs right to take countermeasures against discriminatory conduct by foreign CRSs.

We urge continuation of rules for another five years and recommend some of the rules be fine-tuned to better achieve their desired results.